

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2649 – SB 2514

March 6, 2012

SUMMARY OF AMENDMENT (013947): Deletes Section 10 and the effective date of the original bill. Directs that if the net lottery proceeds for FY11-12 exceed the amount of net lottery proceeds for FY10-11 by 10 million dollars or more, and if net lottery proceeds for FY12-13 meet or exceed the amount of net lottery proceeds for FY11-12, and if net lottery proceeds for FY13-14 meet or exceed the amount of net lottery proceeds for FY11-12, then the act shall be repealed July 1, 2015. States that the term “net lottery proceeds” does not include unclaimed prize money. Requires the State Funding Board, by May 1, 2015, to determine if the act is repealed effective July 1, 2015, and to report its finding to the Secretary of State and the Tennessee Code Commission. The effective date of the bill is June 30, 2015.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Expenditures - Net Impact - \$4,115,500/FY15-16/Lottery for
Education Account
Net Impact- \$9,052,400/FY16-17 and the next
Eight Subsequent Fiscal Years
/Lottery for Education Account

Other Fiscal Impact – In the eleventh fiscal year after implementation (FY25-26), if the General Assembly elects not to appropriate an additional \$10,000,000 to the Tennessee Student Assistance Award program, the decrease in state expenditures from the Lottery for Education Account will be greater since any decrease in the first ten years after implementation will be netted against this appropriation

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – If the conditions set forth in the amendment are met and the State Funding Board makes a determination that they have been met, then the fiscal impact is completely removed and the bill will be repealed on June 30, 2015.

If the conditions set forth by the amendment are not met, then the fiscal impact will be unchanged from the original bill.

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Assumptions applied to amendment:

- For the purposes the fiscal memorandum, the assumptions below show what the net fiscal impact will be in FY15-16 and subsequent fiscal years, assuming that the conditions set forth in the amendment are not met.
- Any increase in state expenditures for the State Funding Board to determine if the net lottery proceeds have met the conditions set forth by the amendment will be not significant.
- The state will increase appropriations for the Tennessee Student Assistance Awards by an additional \$10,000,000 beginning in FY15-16 and the next nine subsequent fiscal years.
- According to the Tennessee Student Assistance Corporation (TSAC), 5,724 students (including new freshman cohort and home school students) will receive a reduced HOPE or ASPIRE award amount in FY15-16.
- With reduced awards, HOPE recipients will receive \$2,000 and ASPIRE recipients will receive \$3,500.
- According to TSAC the reduction in state expenditures in FY15-16 from the Lottery for Education Account will be \$14,115,500.
- The net decrease in state expenditures from the Lottery for Education Account in FY15-16 will be \$4,115,500 (\$14,115,500 - \$10,000,000).
- Based on information provided by TSAC, the number of students who will receive a reduced award in FY16-17 will be 8,207 (including a new incoming freshmen class with home school students and renewals from FY15-16).
- According to TSAC, the decrease in state expenditures in FY16-17 as a result of increasing HOPE and ASPIRE eligibility requirements will be \$19,052,380.
- The net decrease in state expenditures from the Lottery for Education Account in FY16-17 and the next eight subsequent fiscal years will be approximately \$9,052,380 (\$19,052,380 - \$10,000,000).
- The net decrease in state expenditures shown in FY15-16 and FY16-17 assumes that the \$10,000,000 TSAA appropriation has already been made for those years, leaving eight fiscal years after FY16-17.
- After the second year of implementation, students previously receiving a reduced scholarship amount will become eligible for a full HOPE or ASPIRE scholarship or grant. For the purposes of this fiscal note, it is assumed that the decrease in state expenditures will remain relatively even over the next eight fiscal years beginning in FY17-18 and further assumes that the number of students entering, renewing, and becoming eligible for the increased HOPE or ASPIRE scholarship each fall remains approximately the same.
- In FY25-26 (eleventh fiscal year after implementation), the decrease in state expenditures from the Lottery for Education Account may be higher if the General Assembly does not extend the additional \$10,000,000 for additional Tennessee Student Assistance Awards beyond the 10th fiscal year.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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